

The Week Ahead, 23rd November 2020

Rishi Sunak's Spending Review, United Utilities, Aviva & Compass Group

ANALYSTS BACKGROUND

Fiona has a deep understanding of market fundamentals gained through 14 years' experience in the financial markets. She provides up to the minute analysis and insight into the financial markets, as well as the broader economy and monetary policy in the UK, Europe, US and Asia. She is regularly quoted in the global financial press, with her name often seen on Bloomberg, Reuters, Financial Times and the Telegraph. Fiona is a familiar face after years of regular TV appearances across the globe on the likes of BBC, Sky News and Reuters.



Our pick of the top macro data points and companies reporting this week. Those in bold are discussed below.

ECONOMIC DATA

Monday 23rd November	EZ Mfg & Services PMIs UK Mfg & Services PMIs US Mfg & Services PMIs
Tuesday 24th November	German GDP Q3 (Final) German IFO Index US Consumer Confidence
Wednesday 25th November	US Durable Goods US Initial Jobless Claims EIA Crude Inventories

Thursday 26th November	German GFK Consumer Confidence US Markets Closed For Thanksgiving
Friday 27th November	France GDP Q3 (final) EZ Consumer Confidence

COMPANY ANNOUNCEMENTS

Monday 23rd November	Daily Mail & General Trust Smiths Group
Tuesday 24th November	Compass Group Pennon Pets At Home AO World HP (US) Dell (US)
Wednesday 25th November	United Utilities Babcock Virgin Money
Thursday 26th November	Britvic AVIVA Severn Trent
Friday 27th November	Reach

KEY THEME

Key theme: Vaccines, Surging Covid & Brexit

Investors will continue weighing vaccine optimism against rising covid infections and tightening lockdown restrictions. With a widely available vaccine still several months away PMI data will shed some light as to how badly the resurgence in covid cases is impacting the global economy. Brexit will also be a key theme as the UK and the EU appear to be close to achieving at least a bare bone trade deal. Several deadlines have been and gone, however the broad consensus is that the two sides will get there in time.

THE WEEK AHEAD

Monday

UK Manufacturing & Service Sector PMI

The British economy has proved to be more resilient than expected, thanks to pent up demand, the furlough scheme and in part Rishi Sunak's Eat Out To Help Out. Despite lingering Brexit uncertainty PMI's outperformed in August, followed by another solid performance in September making for an impressive economic rebound in Q3. With lockdown restrictions tightening in some parts of the UK in October, Q3's upbeat performance was never going to be repeated in Q4. October's PMI's showed an easing in both manufacturing and services with the latter declining from 56.5 to 52.9. November's figures are expected to show the weakness continuing, particularly in the dominant services sector as the whole of the UK went back into lockdown

Daily Mail

Back in September, Daily Mail's interim figures for the 9 months to June revealed a 44% drop in revenue as the covid lockdown prevented people from venturing out and buying a paper and as advertising revenues also took a hit. Revenue was down 7% to £934 million, a stark contrast to the 3% rise in revenue seen in February. More recently, an update in October was more upbeat with a solid rebound in advertising seen in September. Even so this won't be anywhere near enough to make up for the shortfall and both revenue and profit are expected to be significantly lower than last year. Full year revenue is expected to be -6.5% around £1.21 billion.

Tuesday

US Consumer Confidence

The strength of the recovery in US retail sales since the March / April lockdown has been impressive and surprising. Retail has seen a V-shaped recovery and consumer confidence has also rebounded firmly despite a slight slip up in August. Consumer morale picked up again in September and October, despite the expiration of the supplementary \$600 unemployment benefit and the absence of a new rescue package to replace it. November's consumer confidence numbers are expected to print at 101.5 as the US economy ramps up for Thanksgiving later in the week. Markets to watch: USD.

Compass Group

Q3 revenue dropped 44% as the contract catering group was forced to temporarily close in lockdown. The three months to September then saw revenue tank 36% only a very slight improvement even as the worst of the lockdown was over. The reopening of schools across Europe and the US has helped revenues rebound short term. However, the sports and leisure side of the business continues to struggle as most of the industries remain closed. Thanks to a £2 billion share placing the balance sheet is looking ok. Attention will likely be on the outlook for 2021, which will of course come with some level of uncertainty. However, with a vaccine on the way any encouraging signs could quickly ease any remaining concerns.

Pets At Home

The last we heard in a trading update in September, Pets At Home reported double digit like for like sales growth in the 8 weeks to Sept 10th, a clear winner from the pandemic. Investors will be keen to see how well this jump in sales has translated into profits. Margins could well have come under pressure given the additional costs of trading in a socially distant climate. On the other hand, a rise in online sales and through click and collect could support profitability going forwards.

Wednesday

UK Spending Review

Chancellor Rishi Sunak will deliver the mini budget on Wednesday. It comes after Mr Sunak extended the furlough scheme at the end of October, to continue until March next year and after revealing that the Treasury is considering freezing public sector pay. This is likely to get a frosty reception, particularly in light of the £16 billion military spending package announced last week. UK defence stocks gained ground on the news and could well have further to run. Given the current gloomy outlook to the UK economy, with lockdown 2.0 potentially derailing the fragile economic recovery, any plans for tax increases to plug the growing hole in the nation's bank account could also be met with anger. Watch GBP, Defence stocks, Housing stocks. FTSE 250 index.

FOMC Minutes

The minutes relate to the first FOMC following the US elections and at the time of the meeting there was still little clarity surrounding the outlook and which candidate would win the race to the White House. As a result, the Fed's hands were tied. The central bank reiterated the need for additional fiscal stimulus. Fed Chair Jerome Powell also committed to the central bank doing more to support the economy. With expectations picking up that the Fed could ease policy again in December investors will be on the lookout for any discussions surrounding tweaks to the asset purchase programme. Watch USD, US indices.

United Utilities

A recent statement from the utilities firm said that trading had been in line with forecasts, so no nasty surprises are expected. Cash collection is as planned although UU is also forecasting an increase in debt as government support schemes come to an end which looks to be March next year. Revenues could take a hit owing to lower water usage as customer shops, outlets and businesses are temporarily closed.

EX- Dividends

FTSE100: Imperial Brands, Johnson Matthey, Land Securities, National Grid, Persimmon

FTSE250: Bellway, 3i Infrastructure, CMC Markets, Telecom Plus, Diploma, Clarkson, Diversified Gas & Oil, Kainos Group

Thursday

Aviva

A trading update will provide some more clarity on trading over the second half and what is expected going forward. Back in August Aviva announced H1 profits fell 11% as insurance claims jumped £165 million and warned that uncertainty would continue near term, making growth and profit targets harder to achieve. Amanda Black has certainly taken over at a challenging time. She has said that the focus will be on core UK, Irish and Canadian markets, perhaps hinting that other businesses such as the French Italian or Singaporean could be disposed of in an attempt to reduce debt and improve cash flow.

Britvic

Britvic will report full year results, just weeks after agreeing a bottling deal with PepsiCo, an agreement which boosted the Britvic share price to its highest point since early March. In September, Britvic expected adjusted earnings for FY2020 to be slightly ahead of market forecasts after a stronger than forecast summer. Given lockdown 2.0 the focus will be on the off-trade business and the impact that lockdown has had on premise sales and profits.

Friday

N/A

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